

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Schoolcraft County Housing Commission	County Schoolcraft
Fiscal Year End 3-31-2006	Opinion Date 11-6-2006	Date Audit Report Submitted to State 12-29-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	n/a	
Other (Describe)	<input checked="" type="checkbox"/>	n/a	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
Authorizing CPA Signature 		Printed Name Shane M. Ellison, CPA	Zip 49801
		License Number 263063	

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**REPORT ON FINANCIAL STATEMENTS**

(with supplemental information)

For the Year Ended March 31, 2006

# SCHOOLCRAFT COUNTY HOUSING COMMISSION

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	3-4
Management Discussion and Analysis .....	5-8
Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities .....	10
Statement of Revenues, Expenses, and Change in Net Assets.....	11
Statement of Cash Flows.....	12
Notes to Financial Statements .....	13-19
Supplemental Information:	
Financial Data Schedule.....	21-27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	28





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Schoolcraft County Housing Commission  
Manistique, Michigan

We have audited the accompanying financial statements of the business-type activities of the Schoolcraft County Housing Commission as of and for the year ended March 31, 2006, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Schoolcraft County Housing Commission as of March 31, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2006 on our consideration of the Schoolcraft County Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Schoolcraft County Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The Financial Data Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

November 6, 2006

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Schoolcraft County Housing Commission's financial performance provides an overview of the financial activities for the year ended March 31, 2006. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

### FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$1,627,309 at March 31, 2006 compared to \$1,649,494 at March 31, 2005.
- The Commission's operating revenues totaled \$362,402 for March 31, 2006 and \$328,871 for March 31, 2005, while operating expenses totaled \$512,314 for March 31, 2006 and \$482,533 for March 31, 2005.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

### REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

## REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

## THE COMMISSION AS A WHOLE

The Commission's combined net assets at March 31, 2006 decreased \$(22,688) from March 31, 2005.

**Table 1**

### NET ASSETS

	March 31,	
	2006	2005
<b>Assets</b>		
Current assets	\$ 216,492	\$ 240,192
Capital assets (net)	<u>1,467,022</u>	<u>1,466,640</u>
Total assets	<u>1,683,514</u>	<u>1,706,832</u>
<b>Liabilities</b>		
Current liabilities	41,284	51,343
Noncurrent liabilities	<u>14,921</u>	<u>5,995</u>
Total liabilities	<u>56,205</u>	<u>57,338</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,467,022	1,466,640
Unrestricted	<u>160,287</u>	<u>182,854</u>
Net Assets	<u>\$1,627,309</u>	<u>\$1,649,494</u>

Net assets of the Commission stood at \$1,627,309 at March 31, 2006 compared to \$1,649,494 at March 31, 2005. Unrestricted net business assets were \$160,287 compared to \$182,854 at March 31, 2005. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The decrease in current assets was due to an increase in operating expenses, thus a decrease in cash and equivalents.

**Table 2****CHANGE IN NET ASSETS**

	Year Ended March 31,	
	2006	2005
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 159,455	\$ 141,138
Program grants and subsidies	323,443	215,899
General revenues:		
Other revenues	1,874	1,664
Unrestricted investment earnings	<u>5,357</u>	<u>3,609</u>
Total revenues	490,129	362,310
<b>Program Expenses:</b>		
Operating expenses	<u>512,314</u>	<u>482,533</u>
Change in net assets	(22,185)	(120,223)
<b>Net assets - beginning of period</b>	<u>1,649,494</u>	<u>1,769,717</u>
<b>Net assets - end of period</b>	<u>\$1,627,309</u>	<u>\$1,649,494</u>

**BUSINESS – TYPE ACTIVITIES**

Revenues for the Commission totaled \$490,129 compared to \$362,310 during March 31, 2005. The Commission's average unit months leased on a monthly basis had increased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in operating expenses is largely due to increase in administrative and maintenance expenses.



## **CAPTIAL ASSETS**

### **Capital Assets**

The Commission had \$3,339,313 invested in a variety of capital assets including land, equipment and buildings at March 31, 2006 compared to \$3,216,943 at March 31, 2005.

**Table 3**

### **CAPITAL ASSETS AT MARCH 31, 2005 Business - Type Activity**

	March 31,	
	2006	2005
Land and improvements	\$ 354,744	\$ 354,744
Building and improvements	2,694,152	2,694,152
Equipment	159,045	159,045
Constuction-in-progress	<u>131,372</u>	<u>9,002</u>
Total	3,339,313	3,216,943
Less accumulated depreciation	<u>(1,872,291)</u>	<u>(1,750,303)</u>
NET CAPITAL ASSETS	<u>\$1,467,022</u>	<u>\$1,466,640</u>

The Commission invested \$122,370 in capital assets during the year ended March 31, 2006.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2006/2007. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2006/2007 budget process.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Dixie Anderson, at 900 Steuben, Manistique, Michigan 49854, or call 906-341-5052.

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**STATEMENT OF NET ASSETS**  
**Proprietary Fund**

March 31, 2006

CURRENT ASSETS:	
Cash and equivalents	\$ 94,015
Accounts receivable	15,950
Investments	93,882
Prepaid expenses	<u>12,645</u>
TOTAL CURRENT ASSETS	<u>216,492</u>
NONCURRENT ASSETS:	
Capital assets	3,339,313
Less accumulated depreciation	<u>(1,872,291)</u>
NET CAPITAL ASSETS	<u>1,467,022</u>
TOTAL ASSETS	<u>1,683,514</u>
CURRENT LIABILITIES:	
Accounts payable	7,049
Accrued liabilities	<u>34,235</u>
TOTAL CURRENT LIABILITIES	41,284
NONCURRENT LIABILITIES	<u>14,921</u>
TOTAL LIABILITIES	<u>56,205</u>
NET ASSETS:	
Investment in capital assets, net of related debt	1,467,022
Unrestricted net assets	<u>160,287</u>
NET ASSETS	<u>\$ 1,627,309</u>

The accompanying notes to financial statements are an integral part of this statement.





**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**STATEMENT OF ACTIVITIES**

For the Year Ended March 31, 2006

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	
			Capital Grants and Contributions	
				Business-Type Activities

The accompanying notes to the financial statements are an integral part of this statement.

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE  
IN NET ASSETS  
Proprietary Fund**

For the Year Ended March 31, 2006

**OPERATING REVENUES:**

Tenant revenue	\$ 159,455
Program grants-subsidies	201,073
Other income	<u>1,874</u>

TOTAL OPERATING REVENUES	<u>362,402</u>
--------------------------	----------------

**OPERATING EXPENSES:**

Administration	102,964
Tenant services	1,780
Utilities	72,311
Maintenance	112,919
General	21,843
Housing assistance payments	78,509
Depreciation	<u>121,988</u>

TOTAL OPERATING EXPENSES	<u>512,314</u>
--------------------------	----------------

OPERATING (LOSS)	<u>(149,912)</u>
------------------	------------------

**NONOPERATING REVENUE AND (EXPENSES):**

Capital grants	122,370
Interest income	<u>5,357</u>

TOTAL NONOPERATING REVENUE AND (EXPENSES)	<u>127,727</u>
---	----------------

CHANGE IN NET ASSETS	(22,185)
----------------------	----------

NET ASSETS, BEGINNING OF YEAR	<u>1,649,494</u>
-------------------------------	------------------

NET ASSETS, END OF YEAR	<u>\$ 1,627,309</u>
-------------------------	---------------------

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to financial statements are an integral part of this statement.

# SCHOOLCRAFT COUNTY HOUSING COMMISSION

## STATEMENT OF CASH FLOWS

### Proprietary Fund

For the Year Ended March 31, 2006

#### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 158,080
Cash received from grants and subsidies	197,968
Cash payments to suppliers for goods and services	(238,106)
Cash payments for wages and related benefits	(149,168)
Cash payments for payment in lieu of taxes	(5,908)
Other receipts	<u>1,874</u>

NET CASH (USED ) BY OPERATING ACTIVITIES (35,260)

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	122,370
Acquisition of capital assets	<u>(122,370)</u>

NET CASH PROVIDED FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES -

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(503)
Investment income	<u>5,241</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES 4,738

NET (DECREASE) IN CASH AND EQUIVALENTS (30,522)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 124,537

CASH AND EQUIVALENTS, END OF YEAR \$ 94,015

#### RECONCILIATION OF OPERATING INCOME TO NET

##### CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (149,912)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	121,988
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(4,480)
Decrease (Increase) in prepaid expenses	(1,723)
Increase (Decrease) in accounts payable	(4,316)
Increase (Decrease) in accrued liabilities	<u>3,183</u>

NET CASH (USED) BY OPERATING ACTIVITIES \$ (35,260)

The accompanying notes to financial statements are an integral part of this statement.



## SCHOOLCRAFT COUNTY HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2006

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### THE REPORTING ENTITY

The Schoolcraft County Housing Commission (Commission) was formed by the Schoolcraft County City Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City of Schoolcraft County.

The Commission manages 64 units of low rent public housing and 31 section 8 vouchers of which, for financial reporting purposes, includes all of the activities relevant to its operations.

##### Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be include in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that there are no component units of the Schoolcraft County Housing Commission, but the Commission is a component unit of Schoolcraft County, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

##### Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



## SCHOOLCRAFT COUNTY HOUSING COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **BASIS OF PRESENTATION (Continued)**

###### **Proprietary Fund**

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

##### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

###### **Measurement Focus:**

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

###### **Basis of Accounting:**

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.



## SCHOOLCRAFT COUNTY HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2006

(Continued)

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents – The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.
- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$5,000 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.

- f. Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.





## SCHOOLCRAFT COUNTY HOUSING COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **ASSETS, LIABILITIES AND NET ASSETS (Continued)**

2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

##### **REVENUES AND EXPENSES**

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

##### **OTHER SIGNIFICANT ACCOUNTING POLICIES**

###### Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

###### Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on April 1<sup>st</sup>. The operating budget includes proposed expenses and the means of financing them. Prior to March 31<sup>st</sup>, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31<sup>st</sup>.



## SCHOOLCRAFT COUNTY HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2006

(Continued)

#### NOTE B - CASH AND INVESTMENTS

##### Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Checking accounts	<u>\$ 94,015</u>
-------------------	------------------

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of June 30, 2005, the Commission's cash and equivalents were not exposed to credit risk, due to them being fully insured and collateralized with a federal home loan bank bond having a fair market value of \$501,550 at March 31, 2006.

##### Investments

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$93,882</u>	<u>\$11,856</u>	<u>\$82,026</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Commission's investments may not be returned. As of June 30, 2005, the Commission's investments were not exposed to credit risk, due to them being fully insured.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



## SCHOOLCRAFT COUNTY HOUSING COMMISSION

### NOTES TO FINANCIAL STATEMENTS

March 31, 2006

(Continued)

#### NOTE B - CASH AND INVESTMENTS (Continued)

*Credit Risk.* Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

*Concentration of Credit Risk.* The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

State Savings Bank, Manistique, MI	\$82,026
MBank, Manistique, MI	<u>11,856</u>
Total	<u>\$93,882</u>

#### NOTE C - CAPITAL ASSETS

A summary of capital assets as of March 31, 2006 is as follows:

	Balance 4-1-05	Additions	Deletions	Balance 3-31-06
Land and improvements	\$ 354,744	\$ -	\$ -	\$ 354,744
Building and improvements	2,694,152	-	-	2,694,152
Equipment	159,045	-	-	159,045
Construction-in-progress	<u>9,002</u>	<u>122,370</u>	<u>-</u>	<u>131,372</u>
	3,216,943	<u>\$ 122,370</u>	<u>\$ -</u>	3,339,313
Accumulated depreciation	<u>(1,750,303)</u>	<u>\$ (121,988)</u>	<u>\$ -</u>	<u>(1,872,291)</u>
Net capital assets	<u>\$1,466,640</u>			<u>\$1,467,022</u>

Depreciation expense for the year was \$121,988.

#### NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



## **SCHOOLCRAFT COUNTY HOUSING COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

March 31, 2006

(Continued)

#### **NOTE E - USE OF ESTIMATES**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended March 31, 2006 totaled \$490,129 of which \$323,443 or 66% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

#### **NOTE G - PENSION PLAN**

The Commission has established a pension plan of which the commission contributes 15.26% of qualified wages. To be eligible, an employee must have twelve continuous months of service. The Commission contributions to the Plan during the year amounted to \$15,406.





**SUPPLEMENTAL  
INFORMATION**



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE**

**Proprietary Fund**

March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash:					
111	Cash - unrestricted	\$ 25,097	\$ 68,918	\$ -	\$ 94,015
100	Total cash	25,097	68,918	-	94,015
Accounts and notes receivables:					
122	Accounts receivable- HUD Other Projects	8,215	-	4,442	12,657
126	Accounts receivable- Tenants - Dwelling Rents	2,448	-	-	2,448
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(302)	-	-	(302)
129	Accrued Interest Receivable	1,147	-	-	1,147
120	Total receivables, net of allowances for doubtful accounts	11,508	-	4,442	15,950
Other current assets:					
131	Investments	93,882	-	-	93,882
142	Prepaid expenses	12,645	-	-	12,645
144	Interprogram Due From	7,132	-	-	7,132
150	TOTAL CURRENT ASSETS	150,264	68,918	4,442	223,624

See accompanying notes to financial statements



**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	42,876	-	-	42,876
162	Buildings	2,694,152	-	-	2,694,152
163	Furniture, equipment & machinery - dwellings	66,072	-	-	66,072
164	Furniture, equipment & machinery - administration	92,973	-	-	92,973
165	Leasehold improvements	311,868	-	-	311,868
166	Accumulated depreciation	(1,872,291)	-	-	(1,872,291)
167	Construction in Progress	-	-	131,372	131,372
160	Total fixed assets, net of accumulated depreciation	1,335,650	-	131,372	1,467,022
180	TOTAL NONCURRENT ASSETS	1,335,650	-	131,372	1,467,022
190	TOTAL ASSETS	\$ 1,485,914	\$ 68,918	\$ 135,814	\$ 1,690,646

See accompanying notes to financial statements



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

SCHOOLCRAFT COUNTY HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE**  
**Proprietary Fund**

March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>LIABILITIES AND NET ASSETS</u>					
LIABILITIES:					
CURRENT LIABILITIES					
312	Accounts Payable <= 90 Days	\$ 7,049	\$ -	-	\$ 7,049
321	Accrued wages / payroll taxes payable	4,742	-	-	4,742
322	Accrued compensated absences - current portion	12,327	1,756	-	14,083
333	Accounts payable - other government	5,875	-	-	5,875
341	Tenant security deposits	3,240	-	-	3,240
342	Deferred revenues	6,295	-	-	6,295
347	Interprogram due to	-	2,690	4,442	7,132
310	TOTAL CURRENT LIABILITIES	39,528	4,446	4,442	48,416
354	Accrued compensated absences - non current	13,262	1,659	-	14,921
350	TOTAL NONCURRENT LIABILITIES	13,262	942	-	14,921
300	TOTAL LIABILITIES	52,790	5,388	4,442	63,337

See accompanying notes to financial statements





ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>NET ASSETS</u>					
508.1	Investment in capital assets, net of related debt	1,335,650	-	131,372	1,467,022
512.1	Unrestricted net assets	97,474	62,813	-	160,287
513	TOTAL NET ASSETS	1,433,124	62,813	131,372	1,627,309
600	TOTAL LIABILITIES AND NET ASSETS	\$ 1,485,914	\$ 68,201	\$ 135,814	\$ 1,690,646

See accompanying notes to financial statements



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE**

**Proprietary Fund**

For the Year Ended March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<b>REVENUES</b>					
703	Net tenant rental revenue	\$ 144,618	\$ -	\$ -	\$ 144,618
704	Tenant revenue - other	14,837	-	-	14,837
705	Total tenant revenue	159,455	-	-	159,455
706	HUD PHA grants	98,658	101,910	505	201,073
706.1	Capital grants	-	-	122,370	122,370
711	Investment income - unrestricted	3,486	1,871	-	5,357
715	Other revenue	1,874	-	-	1,874
700	TOTAL REVENUE	263,473	103,781	122,875	490,129
<b>EXPENSES</b>					
Administrative:					
911	Administrative salaries	43,700	10,925	505	55,130
912	Auditing fees	2,654	641	-	3,295
914	Compensated absences	6,915	775	-	7,690
915	Employee benefit contributions- administrative	17,835	4,459	-	22,294
916	Other operating- administrative	11,073	3,482	-	14,555
	Total Administrative	82,177	20,282	505	102,964

See accompanying notes to financial statements



**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE  
Proprietary Fund**

For the Year Ended March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services:					
924	Tenant services - other	1,780	-	-	1,780
Utilities:					
931	Water	23,148	-	-	23,148
932	Electricity	13,251	-	-	13,251
933	Gas	22,402	-	-	22,402
934	Fuel	13,510	-	-	13,510
	Total Utilities	72,311	-	-	72,311
Maintenance:					
941	Ordinary maintenance and operations - labor	46,330	-	-	46,330
942	Ordinary maintenance and operations - materials & other	11,850	-	-	11,850
943	Ordinary maintenance and operations - contract costs	32,169	-	-	32,169
945	Employee benefit contributions- ordinary maintenance	22,570	-	-	22,570
	Total Maintenance	112,919	-	-	112,919
General expenses:					
961	Insurance premiums	15,580	-	-	15,580
963	Payments in lieu of taxes	5,908	-	-	5,908
964	Bad debt - tenant rents	355	-	-	355
	Total General Expenses	21,843	-	-	21,843

See accompanying notes to financial statements



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**SCHOOLCRAFT COUNTY HOUSING COMMISSION**

**FINANCIAL DATA SCHEDULE**

**Proprietary Fund**

For the Year Ended March 31, 2006

Line Item #	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
969	TOTAL OPERATING EXPENSES	291,030	20,282	505	311,817
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(27,557)	83,499	122,370	178,312
973	Housing Assistance Payments	-	78,509	-	78,509
974	Depreciation expense	121,988	-	-	121,988
900	TOTAL EXPENSES	413,018	98,791	505	512,314
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (149,545)	\$ 4,990	\$ 122,370	\$ (22,185)
MEMO account information					
1103	Beginning equity	\$ 1,520,864	\$ 40,756	\$ 70,807	\$ 1,632,427
1104	Prior Period Adjustments, Equity Transfers	\$ 61,805	\$ 17,067	\$ (61,805)	\$ 17,067
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ 101,910	\$ -	\$ 101,910
1115	Contingency Reserve, ACC Program Reserve	\$ -	\$ -	\$ -	\$ -
1116	Total Annual Contributions Available	\$ -	\$ 101,910	\$ -	\$ 101,910
1120	Unit months available	768	369	-	1,137
1121	Number of unit months leased	756	369	-	1,125

See accompanying notes to financial statements

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Schoolcraft County Housing Commission  
Schoolcraft County, Michigan

We have audited the financial statements of the business-type activities of the Schoolcraft County Housing Commission as of and for the year ended March 31, 2006, which collectively comprise the Schoolcraft County Housing Commission's basic financial statements, and have issued our report thereon dated November 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schoolcraft County Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schoolcraft County Housing Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

*Anderson Tackman & Co., P.C.*

ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants  
Iron Mountain, Michigan

November 6, 2006

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

